October 15, 2010

Attn: Technical Director

Re: Comment Letter -- File Reference # 1820-100

Via email: director@fasb.org

Dear Sir,

I am the controller of a \$75 million electrical contractor in the DFW, Texas area.

I am alarmed at the burden that the proposed FASB revenue recognition changes will put on our company. Please see the following reasons.

Jobs are already being bid very tight—there's no extra overhead in jobs for accounting that doesn't help the contractor. The construction markets now are incredibly competitive and profit margins have been squeezed to low numbers we haven't seen in years and it's already barely covering our overhead. There's no extra margin in the jobs to cover overhead to track jobs in a way that doesn't help us run the work and we don't need more government standards chipping away at our already thin margins.

These proposed rules don't follow the contract structure and contract requirements for tracking a job. Our contract requires us to break down our jobs for billing and building purposes according to how the owner and general contractor want to see it. It doesn't make any sense to us to track it any other way and just adds overhead to do so.

<u>Most contractors are small, privately-owned companies.</u> We have controllers and accounting managers, not CFO's and large accounting departments, so we don't have a staff to track jobs in a particular way that does not help us build and deliver a successful project to an owner.

These proposed methods for tracking a construction project require us to track a job in a way that is NOT how we'll build it and deliver a successful project to our customer. This just adds to our overhead for no benefit to the contractor.

We are entitled to be paid for any portion of our work installed, even if a "performance obligation" is not completed. If a job were terminated at any point in time for the customer's convenience, we would be paid for our work installed to date and margin on that work, not by "performance area", so this is NOT an accurate way of reporting how we earn our income.

Tweak SOP 81-1, don't throw the baby out with the bath water. SOP 81-1 has served us well for many years and is understood and widely used by the banking and surety industry, which, along with the owners and managers of the contracting companies, are the only users of the financial information of privately-owned contractors. A FASB representative said that there were a few things that needed to be tweaked in SOP 81-1, so tweak those things. Don't overchange and over-complicate for minor issues.

Bonuses and penalties have always been recognized as soon as they are reasonably certain. So why do we need a lot of new rules to address these issues and why would you recognize them before they are reasonably certain?

Each contract represents a separate, new entire set of risks for our company—or for any construction company. Tracking any other way than on a contract-by-contract basis makes no sense to us. We are responsible for our entire work package from the day we set foot on the job until the day we leave, so our performance obligation and our risks are NOT by area and never will be. Risks are inseparable within a contract. Even on design/build work. All of the parts are inter-related.

Our average contract amount is just over \$1,500,000 and is about 12 months in duration. The margin we make on each job is fixed and is the total amount we are going to make on that job. How can breaking this in areas help us or the users of our financial data in any way?

The components of the contract would have to be arbitrarily and subjectively broken down into pieces and the same margin percent applied to all these pieces. We would have no other way of figuring this that I can see.

This type of revenue recognition should only be for public companies, if any. If these rules were formulated to help public, international companies achieve some sort of standard in international reporting, then it should be applied only to public companies. These rules should not be pushed onto already-overburdened private companies.

I don't have the statistics, but you should, of how many construction companies are small and therefore are slimly staffed. Please don't overburden us for no benefit to us.

Thank you for your consideration.

Sincerely,

Marty Gatenby Controller